

UNIT 11

STUDY QUESTIONS

1. The totals of the payroll register provide the data needed to make an accounting entry for employee earnings, deductions, and net pay.
2. Accounting entries are made after each payroll period in order to record a firm's expenses and liabilities in connection with employee earnings, deductions, and net pay. A second accounting entry is used to record the expenses and liabilities for the firm's payroll taxes (usually the employer's share of social security, medicare, FUTA, and SUTA taxes).
3. In making deductions for taxes and for voluntary items such as health insurance, the employer acts as a collection agent. The amounts withheld from employee earnings are owed to the government, the insurance company, and others, and the employer is responsible for transferring these sums to the proper authorities at the correct time. Thus, deductions must be treated as liabilities by the firm until the money is paid.
4. The amounts withheld from employees for Medicare and social security taxes are calculated separately and must be tracked separately through individual liability accounts. In a similar manner, the employer payroll taxes must be recorded in separate liability accounts.
5.
 - a. An expense account for the salaries and wages would be debited to record the total of employee earnings, and a number of liability accounts would be credited to record the deductions and net pay.
 - b. The liability accounts for social security tax, Medicare tax, and employee federal income tax would be credited to record the amount of each tax being withheld from their earnings. Payroll tax expense would be debited for the total of the credits.
 - c. Debit employee federal income taxes payable, debit social security taxes payable, debit Medicare taxes payable, and credit cash for the total of the three debits.
 - d. The liability account for health insurance premiums would be debited to reduce this liability, and the asset cash would be credited to record the total of the payment.
 - e. The liability account for salaries and wages owed to employees would be debited, and the asset cash would be credited to record the total of the paychecks.
6. When a business purchases savings bonds for its employees from amounts previously withheld from their earnings, the Savings Bonds Withheld Payable account is debited and the Cash account is credited.
7. To record a deposit of social security, Medicare, and federal income tax, a firm would debit Social Security Taxes Payable, Medicare Taxes Payable, and Employee Federal Income Taxes Payable, and credit the Cash account for the total amount of the payment.
8. The amount debited to the Salaries and Wages Expense account is the total (gross) earnings for the payroll period.
9. The amount credited to the Salaries and Wages Payable account is the net pay for the payroll period.
10. The journal entry made when employees are paid serves two purposes. It removes from the firm's accounting records the liability for the employees' net pay that was entered at the end of the payroll period. It also records the decrease in cash that has occurred because of the payment to the employees.

REVIEW EXERCISES

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	DATE	DESCRIPTION OF ENTRY	POST. REF.	DEBIT	CREDIT
1.a.	2005 Jan. 31	Salaries and Wages Expense		8 4 0 0 00	
		Employee Federal Income Taxes Payable			1 0 7 5 00
		Social Security Taxes Payable			5 2 0 80
		Medicare Taxes Payable			1 2 1 80
		Salaries and Wages Payable			6 6 8 2 40
b.	31	Payroll Taxes Expense		8 5 2 60	
		Social Security Taxes Payable			5 2 0 80
		Medicare Taxes Payable			1 2 1 80
		Federal Unemployment Taxes Payable			6 7 20
		State Unemployment Taxes Payable			1 4 2 80
c.	Feb. 3	Salaries and Wages Payable		6 6 8 2 40	
		Cash			6 6 8 2 40
2.a.	2005 July 7	Salaries and Wages Expense		2 7 2 0 00	
		Employee Federal Income Taxes Payable			3 4 8 00
		Social Security Taxes Payable			1 6 8 64
		Medicare Taxes Payable			3 9 44
		IRA Contributions Payable			1 5 0 00
		Salaries and Wages Payable			2 0 1 3 92
b.	7	Payroll Taxes Expense		2 3 3 13	
		Social Security Taxes Payable			1 6 8 64
		Medicare Taxes Payable			3 9 44
		Federal Unemployment Taxes Payable			6 68
		State Unemployment Taxes Payable			1 8 37
c.	10	Salaries and Wages Payable		2 0 1 3 92	
		Cash			2 0 1 3 92
3.	2005 Feb. 12	Employee Federal Income Taxes Payable		1 5 5 7 00	
		Social Security Taxes Payable		1 3 1 4 40	
		Medicare Taxes Payable		3 0 7 40	
		Cash			3 1 7 8 80

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LEARNING THROUGH PRACTICE EXERCISES

EXERCISE 11-1

1. chart of accounts
2. Journals and ledgers
3. general journal or journal
4. journal, ledger
5. asset, liability, expense
6. name (title), number
7. subsidiary ledger
8. credit
9. subsidiary (auxiliary)
10. posting

EXERCISE 11-2

1. E
2. L
3. L
4. E

5. L
6. L
7. L
8. A
9. L
10. L

EXERCISE 11-3

	Debit	Credit
1.		✓
2.		✓
3.		✓
4.	✓	
5.	✓	
6.	✓	
7.	✓	
8.	✓	
9.		✓
10.	✓	

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EXERCISE 11-7

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EXERCISE 11-8

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ALTERNATE LEARNING THROUGH PRACTICE EXERCISES

EXERCISE 11-1A

1. F
2. H
3. D
4. B
5. A
6. G
7. I
8. C
9. E
10. J

EXERCISE 11-2A

1. L
2. E
3. E
4. L
5. L
6. A
7. L
8. L
9. L
10. L

EXERCISE 11-3A

	Debit	Credit
1.	✓	
2.		✓
3.	✓	
4.		✓
5.		✓
6.	✓	
7.	✓	
8.	✓	
9.	✓	
10.		✓

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EXERCISE 11-7A

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EXERCISE 11-8A

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